



## **iLink Holdings Limited**

**合縱連網控股有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

### **QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31ST MARCH, 2003**

#### **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM Website in order to obtain up-to-date information on GEM-listed issuers.

\* *For identification purpose only*

*The Stock Exchange takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*

*This announcement, for which the directors of iLink Holdings Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, (i) the information contained in this announcement is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this announcement misleading; and (iii) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

## **HIGHLIGHTS**

- Turnover for the three months ended 31st March, 2003 amounted to HK\$9,919,000.
- Net loss attributable to shareholders for the three months ended 31st March, 2003 amounted to HK\$6,768,000.
- The directors do not recommend the payment of a dividend for the three months ended 31st March, 2003.

## UNAUDITED CONSOLIDATED INCOME STATEMENT

For the three months ended 31st March, 2003

	For the three months ended 31st March					
	Continuing Operations		Discontinuing Operation (Data Centre at Beijing)		The Group	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Turnover (Note 2)	<b>9,919</b>	16,715	-	1,671	<b>9,919</b>	18,386
Cost of revenues	<b>(7,484)</b>	(13,233)	-	(3,320)	<b>(7,484)</b>	(16,553)
Gross profit	<b>2,435</b>	3,482	-	(1,649)	<b>2,435</b>	1,833
Selling and marketing expenses	<b>(1,417)</b>	(1,806)	-	(71)	<b>(1,417)</b>	(1,877)
General and administrative expenses	<b>(8,476)</b>	(9,483)	<b>(11)</b>	(1,505)	<b>(8,487)</b>	(10,988)
Other (expenses) / income, net	<b>(3)</b>	6	<b>12</b>	-	<b>9</b>	6
Impairment losses in fixed assets (Note 3)	-	-	-	(29,682)	-	(29,682)
(Loss) / profit from operations	<b>(7,461)</b>	(7,801)	<b>1</b>	(32,907)	<b>(7,460)</b>	(40,708)
Interest income	<b>563</b>	851	-	9	<b>563</b>	860
(Loss) / profit before taxation	<b>(6,898)</b>	(6,950)	<b>1</b>	(32,898)	<b>(6,897)</b>	(39,848)
Taxation (Note 4)	-	-	-	-	-	-
(Loss) / profit after taxation	<b>(6,898)</b>	(6,950)	<b>1</b>	(32,898)	<b>(6,897)</b>	(39,848)
Minority interests	<b>129</b>	-	-	-	<b>129</b>	-
Net (loss) / profit attributable to shareholders	<b>(6,769)</b>	(6,950)	<b>1</b>	(32,898)	<b>(6,768)</b>	(39,848)
Loss per share						
- Basic (Note 5)					<b>(0.13 cents)</b>	(0.76 cents)
Loss per share						
- Diluted (Note 5)					N/A	N/A

## **NOTES TO THE UNAUDITED CONSOLIDATED INCOME STATEMENT:**

### **1. Basis of Presentation**

The unaudited financial statements of the Company and its subsidiaries ( the “Group”) have been prepared in accordance with Statements of Standard Accounting Practice issued by Hong Kong Society of Accountants (“HKSA”), the accounting principles generally accepted in Hong Kong, the disclosure requirements of Hong Kong Companies Ordinance, and The Rules Governing the Listing of Securities on GEM (the “GEM Listing Rules”).

### **2. Turnover**

Turnover represents income earned from Internet connectivity, server hosting and co-location, other value-added services and sales of equipment and software.

### **3. Discontinuing Operation**

In 2002, the Group discontinued its data centre operation in Beijing, The People’s Republic of China (the “PRC”). Results of this discontinuing operation for the three months ended 31st March, 2003 are set out above. The cashflows from this discontinuing operation in Beijing were not significant for the three months ended 31st March, 2003. As at 31st March, 2003, this operation had no significant assets or liabilities.

### **4. Taxation**

No provision for Hong Kong profits tax was made as the Group had no assessable profits in Hong Kong for the three months ended 31st March, 2003 and 2002.

The Group’s subsidiaries at Beijing (the “Beijing Subsidiaries”), are subject to the PRC enterprise income tax on the taxable income as reported in their statutory financial statements adjusted in accordance with relevant income tax laws. No provision for PRC enterprise income tax was made as the Beijing Subsidiaries had no taxable income for the three months ended 31st March, 2003.

The Group has not recorded deferred tax assets, mainly in respect of tax losses for the operations in Hong Kong for the period of approximately HK\$3,500,000 (2002: HK\$6,000,000), subject to agreement by the Hong Kong Inland Revenue, due to the uncertainty that the resultant deferred tax asset will be recovered in the foreseeable future.

### **5. Loss per Share**

The calculation of basic loss per share is based on the Group’s unaudited consolidated net loss attributable to shareholders for the three months ended 31st March, 2003 and 2002 and 5,267,374,610 shares in issue during the periods.

Diluted loss per share is not presented because the effect of the assumed conversion of all potential dilutive securities during the three months ended 31st March, 2003 and 2002 would be anti-dilutive.

## 6. Reserves

Movements in reserves of the Group for the three months ended 31st March, 2003 and 2002 are as follows:

	<u>2003</u>				<u>2002</u>	
	<b>Share premium</b>	<b>Contributed surplus</b>	<b>Exchange translation reserve</b>	<b>Accumulated deficit</b>	<b>Total</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Balance, beginning of period</b>	<b>243,476</b>	<b>43,782</b>	<b>62</b>	<b>(171,556)</b>	<b>115,764</b>	219,972
Exchange translation differences	-	-	(2)	-	(2)	12
Loss for the period	-	-	-	(6,768)	(6,768)	(39,848)
<b>Balance, end of period</b>	<b>243,476</b>	<b>43,782</b>	<b>60</b>	<b>(178,324)</b>	<b>108,994</b>	180,136

Under the Companies Law (Revised) of the Cayman Islands, the funds in the share premium account and the contributed surplus account of the Company are distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

## DIVIDEND

The directors do not propose any dividend for the three months ended 31st March, 2003 (2002: nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

For the three months ended 31st March, 2003, the Group achieved a turnover of approximately HK\$9,919,000 and recorded a net loss attributable to shareholders of approximately HK\$6,768,000.

During the period, affected by the uncertainty created by the war between the United States and Iraq and the outbreak in early March 2003 of the Atypical Pneumonia, the market became even more difficult and most enterprises restricted their expenditures. As a result, the Group continued to experience much pressure on securing new service contracts and also on the pricing of its core services upon renewal of the expiring service contracts since 2002. These explained the drop in turnover of the Group by 17.9% from last quarter's HK\$12,083,000 to HK\$9,919,000 for this quarter. Such pressure on securing new service contracts and pricing also explained the majority of the decrease of 46% of the turnover from that of the corresponding period of last year. On the other hand, although measures have been taken to control its operating costs, the general and administrative expenses and the selling and marketing expenses do not show a proportional reduction as a desired level of cost was needed to maintain the Group's existing level of activities.

## **Operation Review**

### ***Strategic Development***

#### *Beijing*

Following the restructuring of the Group's operation in Beijing in 2002, the Group has discontinued its data centre operation in Beijing, and engaged a strategic partner in Beijing to provide data centre services to its customers. During the period, the Group's wholly-owned subsidiary, 北京合縱連橫科技有限公司, which operated the discontinued data centre in Beijing was in the process of winding up in the PRC.

While the directors believe that Beijing and the other major cities of the PRC are still areas for growth for the Group, the Group has launched its online storage and secure mailing system to its customers in Beijing. The Group will closely monitor the market and adjust its strategy responsively to undertake any business opportunities arising whereas more strengthened measures will be implemented to control its operating costs there.

On the other hand, the Group is monitoring its two joint ventures engaged in the development of network and mobile games in Beijing, which are owned as to 80% and 70% respectively by the Group.

#### *Shanghai, Taiwan, Singapore, Shenzhen and Guangzhou*

The Group has engaged strategic partners in providing data centre services in Shanghai and Singapore, and has strategic partners being identified in Taiwan, Shenzhen and Guangzhou for the provision of data centre services.

In view of the market conditions of the respective areas, the Group will take a very cautious approach and closely monitor the market conditions before establishing data centres there to minimise the potential risks to the Group. It is expected that the delay in establishing its own data centres there will not materially affect the Group's operation.

### ***Business development***

The Group continued to expand its existing data centre services and strengthened its managed/ASP services in the period.

## **Prospect**

During the period, the Group has taken every measure to increase its operating efficiency and to reduce its operating costs so as to increase its competitiveness. However, the recent political uncertainties in the Middle East following the war between the United States and Iraq, together with the outbreak of the Atypical Pneumonia have severely affected the Hong Kong market as well as the world economy, in particular, it is uncertain when the virus can be brought under control. In response to the virus, the Group has implemented contingent plans to ensure its

services to customers not be interrupted.

In view of the difficult business conditions, the Group has no immediate plan in setting up further data centres across the Asia Pacific region at the moment. Instead, the Group has been continuously adopting a more flexible strategy in providing its customers data centre services throughout the region by forming alliances with other data centre operators in Beijing, Shanghai, Tokyo, Singapore, Manila and Bangkok. The directors believe it is in the Group's interest to slow its pace of business development and the Group will pursue its business objectives cautiously taking into account of the latest market development.

Nevertheless, the growth in e-commerce and Internet usage has stimulated the demand for Internet hosting, co-location, managed services and other value-added services throughout the world in the long-run and the directors believe that the Group is well positioned to capture these opportunities.

## DIRECTORS' INTERESTS

As at 31st March, 2003, the interests of the directors in the shares of the Company as recorded in the register maintained by the Company under Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance") or as otherwise notified to the Company and the Stock Exchange pursuant to rules 5.40 to 5.49 of the GEM Listing Rules were as follows:

Name of directors	Personal interests	Family interests	Corporate interests	Other interests (Note)	Total
Chung Cho Yee, Mico	-	-	-	400,500,000	400,500,000
Tam Wai Keung, Billy	1,081,350,000	-	-	-	1,081,350,000
Lee Brandon	-	-	-	400,500,000	400,500,000
Leung Man Leuk, Tommy	-	-	-	400,500,000	400,500,000
Hui Kwai	-	-	-	400,500,000	400,500,000
Tang King Fai	-	-	-	400,500,000	400,500,000
Hubert Chak	-	-	-	400,500,000	400,500,000
Cheung Sum, Sam	-	-	-	400,500,000	400,500,000

*Note:* These directors are deemed to be interested in 400,500,000 shares of the Company held by HSBC International Trustee Limited ("HSBC Trustee"), the trustee of a discretionary trust named The RadarNet Trust, by virtue of being the beneficiaries under such discretionary trust.

Save as disclosed above, as at 31st March, 2003, none of the directors, chief executives of the Company or their associates had any interests in any securities of the Company or its associated corporations as defined in the SDI Ordinance.

## **ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES**

### **Share Option Scheme**

The Company has its existing share option scheme (the “Share Option Scheme”) adopted on its Annual General Meeting on 3rd May, 2002 (the “Approval Date”).

Pursuant to the Share Option Scheme, any individual being an employee, officer or consultant of the Group, including any executive or non-executive director of the Company and its subsidiaries may be granted options to subscribe for the shares of the Company. Up to 33 $\frac{1}{3}$ %, 66 $\frac{2}{3}$ % and 100% of any option offered under the Share Option Scheme may respectively be exercised after one year, two years and three years from the date of offer of an option is made, but not later than 10 years from the date of offer. The subscription price on the exercise of an option shall be at least the highest of (i) the closing price of the Company’s shares quoted on the GEM on the date of offer, (ii) the average closing price of the Company’s shares quoted on the GEM for the five business days immediately preceding the date of offer, and (iii) the nominal value of the Company’s shares. The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme must not represent more than 10% of the nominal amount of the issued share capital of the Company as at the Approval Date.

During the period and as at 31st March, 2003, no option has been granted or agreed to be granted under the Share Option Scheme.

### **Trust Scheme**

The RadarNet Trust is a discretionary trust which was set up by RadarNet Limited, the then substantial shareholder of the Company, on 9th August, 2000. HSBC Trustee was appointed as the trustee. Under The RadarNet Trust, HSBC Trustee may at its discretion to sell the shares of the Company to certain beneficiaries who are directors, employees or consultants of the Group and its holding companies, shareholders or associated companies. The objective of establishing The RadarNet Trust is to incentivise the beneficiaries who have contributed to the business development of the Group before its listing and to the preparation for the listing of the Company’s shares.

Since The RadarNet Trust is a discretionary trust, HSBC Trustee has the absolute discretion in deciding the manner and terms of the sale of the shares comprised therein to any beneficiary. However, the Group has recommended to HSBC Trustee the manner and terms by which any shares to be sold to the beneficiaries. The Group has recommended to HSBC Trustee to sell 200,250,000 shares of the Company representing 50% of the shares comprised in the trust property to 56 then full-time employees, and the remaining 50% of such shares to 14 then full-time employees of PCCW Limited (“PCCW”), one of the substantial shareholders of the Company, for their contribution to the business development of the Group before its listing and to the preparation for the listing. Five executive directors of the Company, namely Mr. Chung Cho Yee, Mico, who is also an executive director of PCCW, Mr. Lee Brandon, Mr. Leung Man Leuk, Tommy, Mr. Hui Kwai and Mr. Tang King Fai, and two non-executive directors of the Company, namely Mr. Hubert Chak and Mr. Cheung Sum, Sam, are the beneficiaries of The



RadarNet Trust. Any shares to be sold by HSBC Trustee to the beneficiaries should be at a cost of HK\$0.0334 per share. All dividends derived from the shares received by HSBC Trustee will be retained by HSBC Trustee and form part of the trust fund under The RadarNet Trust.

During the period, changes in the number of shares of the Company to be sold under the recommendations given by the Group to HSBC Trustee are as follows:

	<u>Number of Shares</u>
As at 1st January, 2003	360,450,000
Recommendation withdrawn	(1,401,750)
As at 31st March, 2003	<u>359,048,250</u>

As at 31st March, 2003, no shares have been sold to the beneficiaries, including the directors of the Company, under the aforesaid trust.

Save as disclosed above, at no time during the year was the Company or any of its holding companies, fellow subsidiaries or subsidiaries a party to any arrangement to enable the Company's directors or members of its management to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

## **SUBSTANTIAL SHAREHOLDERS' INTERESTS**

As at 31st March, 2003, the interests of substantial shareholders in the Company's shares as recorded in the register maintained by the Company under Section 16(1) of the SDI Ordinance were as follows:

<b>Name</b>	<b>Number of shares</b>	<b>Approximate percentage of shareholding</b>
Li Tzar Kai, Richard <sup>(Note)</sup>	2,523,150,000	47.90%
Pacific Century Group Holdings Limited <sup>(Note)</sup>	2,523,150,000	47.90%
Pacific Century International Limited <sup>(Note)</sup>	2,523,150,000	47.90%
Pacific Century Group (Cayman Islands) Limited <sup>(Note)</sup>	2,523,150,000	47.90%
Anglang Investments Limited <sup>(Note)</sup>	2,523,150,000	47.90%
Pacific Century Regional Developments Limited <sup>(Note)</sup>	2,523,150,000	47.90%
PCCW <sup>(Note)</sup>	2,523,150,000	47.90%
Century Power Group Limited <sup>(Note)</sup>	2,523,150,000	47.90%
CyberVentures (Bermuda) Limited ("CyberVentures") <sup>(Note)</sup>	2,523,150,000	47.90%
CyberWorks Internet Ventures Limited <sup>(Note)</sup>	2,523,150,000	47.90%
Media Touch Group Limited ("Media Touch") <sup>(Note)</sup>	2,523,150,000	47.90%
Tam Wai Keung, Billy	1,081,350,000	20.53%

*Note:* Media Touch is wholly-owned by CyberWorks Internet Ventures Limited which is, in turn, wholly-owned by CyberVentures. The entire issued share capital of CyberVentures is held by Century Power Group Limited and the entire issued share capital of Century Power Group Limited is held by PCCW. Therefore, CyberWorks Internet Ventures Limited, CyberVentures, Century Power Group Limited and PCCW are deemed to be interested in the shares held by Media Touch for the purposes of the SDI Ordinance.

PCCW is a subsidiary of Pacific Century Regional Developments Limited. Approximately 37.5% and 37.8% of Pacific Century Regional Developments Limited's issued share capital are held by Pacific Century Group (Cayman Islands) Limited and Anglang Investments Limited respectively. Anglang Investments Limited is wholly-owned by Pacific Century Group (Cayman Islands) Limited whilst the latter is wholly-owned by Pacific Century International Limited. In turn, Pacific Century International Limited is wholly-owned by Pacific Century Group Holdings Limited, the entire issued share capital of which is held by Mr. Li Tzar Kai, Richard. Therefore, Pacific Century Regional Developments Limited, Anglang Investments Limited, Pacific Century Group (Cayman Islands) Limited, Pacific Century International Limited, Pacific Century Group Holdings Limited and Mr. Li Tzar Kai, Richard are all deemed to be interested in the shares held by Media Touch for the purposes of the SDI Ordinance.

Save as disclosed above, the Company has not been notified of any other interests representing 10% or more of the issued share capital of the Company as at 31st March, 2003.

## **COMPETING INTERESTS**

PCCW is a substantial shareholder of the Company and Mr. Chung Cho Yee, Mico, an executive director of the Company, is also an executive director of PCCW. PCCW has interests, either directly or indirectly, in businesses which are providing IT and professional services and data centre services (details of which have been disclosed in the Company's prospectus dated 28th February, 2001 and updated in the Company's 2002 Annual Report) and also in business which is developing online games activities. The directors believe that there is a risk that such businesses may compete with those of the Group.

Save as disclosed above, none of the directors, the management shareholders or the substantial shareholders of the Company or their respective associates (as defined under the GEM Listing Rules) have any interests in a business which competes or may compete with the business of the Group.

## **AUDIT COMMITTEE**

The audit committee of the Company comprises two independent non-executive directors of the Company, namely Mr. Wong Wing Shing and Mr. Cheng Kai Ming. The written terms of reference which describe the authority and duties of the audit committee were prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" published by the HKSA.

The audit committee provides an important link between the board of directors and the Company's auditors in matters coming within the scope of the group audit. It also reviews the effectiveness of the external audit and of internal controls and risk evaluation.

## **BOARD PRACTICES AND PROCEDURES**

In the opinion of the directors, throughout the period, the Company was in compliance with the "Board Practices and Procedures" as set out in Rules 5.28 to 5.39 of the GEM Listing Rules, except that the independent non-executive directors are not required for a specific term but are subject to the retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's Articles of Association.

## **INTEREST OF SPONSOR**

As notified by BNP Paribas Peregrine Capital Limited (the "Sponsor"), the Company's sponsor, neither the Sponsor nor its directors or employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interest in the share capital of the Company as at 31st March, 2003.

Pursuant to the agreement dated 13th February, 2001 entered into between the Company and the Sponsor, the Sponsor will receive a fee for acting as the Company's retained sponsor for the period from 9th March, 2001, the date on which the shares of the Company are listed, until 31st December, 2003.

Save for the above, the Sponsor has no other interest in the Company as at 31st March, 2003.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the three months ended 31st March, 2003, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

By Order of the Board  
**TAM Wai Keung, Billy**  
*Director and Chief Executive Officer*

Hong Kong, 9th May, 2003

*This announcement will remain on the "Latest Company Announcements" page of the GEM website for at least seven days from the date of its publication and the Company's website at [www.iLink.net](http://www.iLink.net).*